

February 2, 2015

Representative Jeff Farrington
Michigan House of Representatives
N794 House Office Building
Lansing, MI 48909-7514

RE: HB 4018 and HB 4019: Definitional Change to Taxation of Cloud Based Software

Dear Representative Farrington:

On behalf of the members of TechAmerica, powered by CompTIA, I appreciate the opportunity to share our perspective on House Bills 4018 and 4019. This legislation would establish a blanket exemption that would exclude the taxation of cloud based services anytime an individual uses prewritten computer software installed on another's server.

TechAmerica, powered by CompTIA, is the leading voice for the U.S. technology industry – the driving force behind productivity growth and job creation in the United States, representing premier technology companies of all sizes. As drafted, HB 4018 and HB 4019 would modify the definition of prewritten computer software to exclude the ability to use prewritten computer software installed on another person's server for sales and use tax purposes. If passed, the legislation would be consistent with how the Michigan courts applied the current definition of prewritten computer software last year in *Auto Owners*, *Thomson Reuters*, and *Rehmann Robson*.

At this time, Michigan based businesses are in a position where they must charge sales tax, while cloud based service providers that do not have a physical presence in the state are not required to do so. This provides a competitive advantage for non-Michigan based businesses. By exempting cloud based service providers altogether from the collection of sales tax, HB 4018 and HB 4019 provide a level playing ground for all. Additionally, passage of these bills allows companies to work seamlessly with other state mandates across the country, instead of creating an environment of clashing regulations.

TechAmerica fully supports both bills and applauds your efforts to correct the taxation framework as it relates to cloud based software. Should you have any questions, please do not hesitate to contact me at alexi.madon@techamerica.org or 630.282.4332. Thank you for your time.

Sincerely,



Alexi Madon
Director, State Government Affairs
TechAmerica